

Village of Mattawan
Van Buren County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended June 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF MATTAWAN	County VAN BUREN
Audit Date 6/30/04	Opinion Date 12/6/04	Date Accountant Report Submitted to State: 12/28/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Siegfried Crandall PC			
Street Address 246 East Kilgore Road	City Kalamazoo	State MI	ZIP 49002-5599
Accountant Signature <i>Siegfried Crandall P.C.</i>		Date	

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INDEPENDENT AUDITORS' REPORT

Village Council
Village of Mattawan, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Mattawan, Michigan, as of June 30, 2004, and for the year then ended, which collectively comprise the Village's financial statements, as listed in the contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Mattawan, Michigan, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 12, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of July 1, 2003.

In accordance with *Government Auditing Standards*, we have issued our report dated December 6, 2004, on our consideration of the Village of Mattawan, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information, on pages 22 through 24, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Village of Mattawan, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Village of Mattawan, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Village of Mattawan, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Siegfried Crandall P.C.

December 6, 2004

BASIC FINANCIAL STATEMENTS

Village of Mattawan
STATEMENT OF NET ASSETS
June 30, 2004

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 603,258	\$ 848,870	\$ 1,452,128
Restricted cash	-	399,873	399,873
Receivables (net)	103,370	147,535	250,905
Internal balances	<u>(35,302)</u>	<u>35,302</u>	<u>-</u>
<i>Total current assets</i>	<u>671,326</u>	<u>1,431,580</u>	<u>2,102,906</u>
Noncurrent assets:			
Restricted cash	-	422,000	422,000
Connection fees (net)	-	1,765,221	1,765,221
Capital assets (net of depreciation)	<u>1,155,907</u>	<u>10,134,368</u>	<u>11,290,275</u>
<i>Total noncurrent assets</i>	<u>1,155,907</u>	<u>12,321,589</u>	<u>13,477,496</u>
<i>Total assets</i>	<u>1,827,233</u>	<u>13,753,169</u>	<u>15,580,402</u>
LIABILITIES			
Current liabilities:			
Accounts payable	-	11,058	11,058
Accrued expenses	34,384	167,665	202,049
Customer deposits	-	4,396	4,396
Bonds payable	<u>7,000</u>	<u>105,000</u>	<u>112,000</u>
<i>Total current liabilities</i>	<u>41,384</u>	<u>288,119</u>	<u>329,503</u>
Noncurrent liabilities:			
Bonds payable	<u>736,000</u>	<u>7,293,000</u>	<u>8,029,000</u>
<i>Total liabilities</i>	<u>777,384</u>	<u>7,581,119</u>	<u>8,358,503</u>
NET ASSETS			
Invested in capital assets, net of related debt	412,907	2,736,368	3,149,275
Restricted for:			
Street repairs and improvements	356,370	-	356,370
Debt service	-	2,477,304	2,477,304
Other	17,391	-	17,391
Unrestricted	<u>263,181</u>	<u>958,378</u>	<u>1,221,559</u>
<i>Total net assets</i>	<u>\$ 1,049,849</u>	<u>\$ 6,172,050</u>	<u>\$ 7,221,899</u>

See notes to the financial statements

Village of Mattawan
STATEMENT OF ACTIVITIES
Year ended June 30, 2004

Functions/Programs	Program revenues			
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
<i>Governmental activities:</i>				
Legislative	\$ 5,883	\$ -	\$ -	\$ -
General government	202,504	8,280	-	-
Public safety	340,726	18,052	32,388	-
Public works	197,058	-	276,392	96,650
Community and economic development	8,900	-	-	-
Culture and recreation	10,318	-	-	-
Interest on long-term debt	48,117	-	-	-
<i>Total governmental activities</i>	<u>813,506</u>	<u>26,332</u>	<u>308,780</u>	<u>96,650</u>
<i>Business-type activities</i>				
Sewer	789,758	613,089	-	-
Water	326,956	272,618	-	-
<i>Total business-type activities</i>	<u>1,116,714</u>	<u>885,707</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 1,930,220</u>	<u>\$ 912,039</u>	<u>\$ 308,780</u>	<u>\$ 96,650</u>

General revenues:

Property taxes
State shared revenue
Interest income
Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning of year

Net assets - end of year

***Net (expense) revenue and
changes in net assets***

<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
\$ (5,883)		\$ (5,883)
(194,224)		(194,224)
(290,286)		(290,286)
175,984		175,984
(8,900)		(8,900)
(10,318)		(10,318)
(48,117)		(48,117)
(381,744)		(381,744)
-	\$ (176,669)	(176,669)
-	(54,338)	(54,338)
-	(231,007)	(231,007)
(381,744)	(231,007)	(612,751)
221,476	-	221,476
200,860	-	200,860
11,335	46,481	57,816
1,655	-	1,655
435,326	46,481	481,807
53,582	(184,526)	(130,944)
996,267	6,356,576	7,352,843
<u>\$ 1,049,849</u>	<u>\$ 6,172,050</u>	<u>\$ 7,221,899</u>

See notes to the financial statements

Village of Mattawan
BALANCE SHEET - Governmental Funds
June 30, 2004

	<u>General</u>	<u>Major Street</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS				
Cash	\$ 203,522	\$ 139,697	\$ 196,957	\$ 540,176
Due from other governmental units	<u>66,263</u>	<u>27,947</u>	<u>9,160</u>	<u>103,370</u>
<i>Total assets</i>	<u>\$ 269,785</u>	<u>\$ 167,644</u>	<u>\$ 206,117</u>	<u>\$ 643,546</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accrued liabilities	\$ 22,584	\$ -	\$ -	\$ 22,584
Fund balances, unreserved	<u>247,201</u>	<u>167,644</u>	<u>206,117</u>	620,962
<i>Total liabilities and fund balances</i>	<u>\$ 269,785</u>	<u>\$ 167,644</u>	<u>\$ 206,117</u>	

*Amounts reported for governmental activities in the statement of net assets
are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	317,956
Internal service funds are used by management to charge costs of fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	<u>110,931</u>
Net assets of governmental activities	<u>\$ 1,049,849</u>

See notes to the financial statements

Village of Mattawan
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - Governmental Funds
Year ended June 30, 2004

	<u>General</u>	<u>Major Street</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES				
Taxes	\$ 221,476	\$ -	\$ -	\$ 221,476
Federal grants	32,388	96,650	-	129,038
State grants	200,860	164,668	66,756	432,284
Fines and forfeitures	8,702	-	-	8,702
Licenses and permits	9,350	-	-	9,350
Interest	8,603	1,767	605	10,975
Other	54,677	-	226	54,903
<i>Total revenues</i>	<u>536,056</u>	<u>263,085</u>	<u>67,587</u>	<u>866,728</u>
EXPENDITURES				
Legislative	5,883	-	-	5,883
General government	193,250	-	-	193,250
Public safety	323,539	-	1,384	324,923
Public works	41,111	225,868	52,761	319,740
Community and economic development	8,900	-	-	8,900
Culture and recreation	10,513	-	-	10,513
Capital outlay	3,830	-	-	3,830
<i>Total expenditures</i>	<u>587,026</u>	<u>225,868</u>	<u>54,145</u>	<u>867,039</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(50,970)</u>	<u>37,217</u>	<u>13,442</u>	<u>(311)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,108	1,108
Transfers out	(1,108)	-	-	(1,108)
<i>Total other financing sources (uses)</i>	<u>(1,108)</u>	<u>-</u>	<u>1,108</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(52,078)</u>	<u>37,217</u>	<u>14,550</u>	<u>(311)</u>
FUND BALANCES - BEGINNING OF YEAR	<u>299,279</u>	<u>130,427</u>	<u>191,567</u>	<u>621,273</u>
FUND BALANCES - END OF YEAR	<u>\$ 247,201</u>	<u>\$ 167,644</u>	<u>\$ 206,117</u>	<u>\$ 620,962</u>
Net change in fund balances - total governmental funds				\$ (311)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>				
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.				
This is the amount by which capital outlays exceeded depreciation in the current period.				109,539
The net expenses of the internal service funds are reported with governmental activities.				(55,646)
Change in net assets of governmental activities				<u>\$ 53,582</u>

See notes to the financial statements

Village of Mattawan
STATEMENT OF NET ASSETS - Proprietary Funds
June 30, 2004

	<u>Business-type activities - Enterprise Funds</u>			<u>Governmental activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	<u>Internal Service</u>
ASSETS				
Current assets:				
Cash	\$ 797,637	\$ 51,233	\$ 848,870	\$ 63,082
Cash - restricted for bond retirement	236,790	163,083	399,873	-
Receivables (net):				
Accounts	69,044	28,491	97,535	-
Connection fees	50,000	-	50,000	-
Due from other funds	35,536	-	35,536	2,334
<i>Total current assets</i>	<u>1,189,007</u>	<u>242,807</u>	<u>1,431,814</u>	<u>65,416</u>
Noncurrent assets:				
Restricted cash	422,000	-	422,000	-
Connection fees (net)	1,765,221	-	1,765,221	-
Capital assets (net of depreciation)	8,198,281	1,936,087	10,134,368	837,951
<i>Total noncurrent assets</i>	<u>10,385,502</u>	<u>1,936,087</u>	<u>12,321,589</u>	<u>837,951</u>
<i>Total assets</i>	<u>11,574,509</u>	<u>2,178,894</u>	<u>13,753,403</u>	<u>903,367</u>
LIABILITIES				
Current liabilities:				
Accounts payable	11,058	-	11,058	-
Accrued expenses	159,790	7,875	167,665	11,800
Due to other funds	393	1,941	2,334	35,536
Customer deposits	-	4,396	4,396	-
Bonds payable	77,000	28,000	105,000	7,000
<i>Total current liabilities</i>	<u>248,241</u>	<u>42,212</u>	<u>290,453</u>	<u>54,336</u>
Noncurrent liabilities:				
Bonds payable	6,651,000	642,000	7,293,000	736,000
<i>Total liabilities</i>	<u>6,899,241</u>	<u>684,212</u>	<u>7,583,453</u>	<u>790,336</u>
NET ASSETS				
Investment in capital assets, net of related debt	1,470,281	1,266,087	2,736,368	94,951
Restricted for debt service	2,314,221	163,083	2,477,304	-
Unrestricted	890,766	65,512	956,278	18,080
<i>Total net assets</i>	<u>\$ 4,675,268</u>	<u>\$ 1,494,682</u>	<u>6,169,950</u>	<u>\$ 113,031</u>
<i>Adjustment to reflect the consolidation of internal service fund balances related to enterprise funds.</i>			<u>2,100</u>	
Net assets of business-type activities			<u>\$ 6,172,050</u>	

See notes to the financial statements

Village of Mattawan
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET ASSETS - Proprietary Funds
Year ended June 30, 2004

	<u>Business-type activities - Enterprise Funds</u>			<u>Governmental activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	<u>Internal Service</u>
OPERATING REVENUES				
Charges for services	\$ 609,951	\$ 261,518	\$ 871,469	\$ 122,505
Other	3,138	11,100	14,238	-
<i>Total operating revenues</i>	<u>613,089</u>	<u>272,618</u>	<u>885,707</u>	<u>122,505</u>
OPERATING EXPENSES				
Public works	219,618	216,133	435,751	-
Depreciation	251,043	78,240	329,283	55,266
Cost of interfund services provided	-	-	-	73,028
<i>Total operating expenses</i>	<u>470,661</u>	<u>294,373</u>	<u>765,034</u>	<u>128,294</u>
OPERATING INCOME (LOSS)	<u>142,428</u>	<u>(21,755)</u>	<u>120,673</u>	<u>(5,789)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	42,498	3,983	46,481	360
Interest expense	(319,580)	(34,200)	(353,780)	(48,117)
<i>Total nonoperating expenses</i>	<u>(277,082)</u>	<u>(30,217)</u>	<u>(307,299)</u>	<u>(47,757)</u>
CHANGE IN NET ASSETS	<u>(134,654)</u>	<u>(51,972)</u>	<u>(186,626)</u>	<u>(53,546)</u>
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>4,809,922</u>	<u>1,546,654</u>		<u>166,577</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 4,675,268</u>	<u>\$ 1,494,682</u>		<u>\$ 113,031</u>

Adjustment to reflect the consolidation of internal service fund net revenues related to enterprise funds.

2,100

Change in net assets of business-type activities

\$ (184,526)

See notes to the financial statements

Village of Mattawan
STATEMENT OF CASH FLOWS - Proprietary Funds
Year ended June 30, 2004

	<u>Business-type activities - Enterprise Funds</u>			<u>Governmental activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	<u>Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 626,591	\$ 273,313	\$ 899,904	\$ 122,505
Payments to suppliers	(193,470)	(207,232)	(400,702)	(68,451)
Payments to employees	(24,397)	(24,397)	(48,794)	(4,577)
<i>Net cash provided by operating activities</i>	<u>408,724</u>	<u>41,684</u>	<u>450,408</u>	<u>49,477</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Decrease in due from other funds	-	29,549	29,549	13,044
Decrease in due to other funds	-	-	-	(21,231)
<i>Net cash provided by (used in) noncapital financing activities</i>	<u>-</u>	<u>29,549</u>	<u>29,549</u>	<u>(8,187)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Collection of bond draw receivable	-	-	-	59,384
Collection of connection fee principal	61,955	-	61,955	-
Acquisition of capital assets	-	(54,938)	(54,938)	(13,935)
Decrease in due from other funds	34,156	-	34,156	-
Decrease in due to other funds	-	-	-	(34,156)
Decrease in accounts payable	-	-	-	(38,380)
Principal payments on capital debt	(73,000)	(28,000)	(101,000)	(6,000)
Interest payments on capital debt	(321,314)	(34,275)	(355,589)	(36,317)
<i>Net cash used in capital and related financing activities</i>	<u>(298,203)</u>	<u>(117,213)</u>	<u>(415,416)</u>	<u>(69,404)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>47,673</u>	<u>3,983</u>	<u>51,656</u>	<u>360</u>
NET INCREASE (DECREASE) IN CASH	<u>158,194</u>	<u>(41,997)</u>	<u>116,197</u>	<u>(27,754)</u>
CASH - BEGINNING OF YEAR				
(including \$829,749 in restricted accounts)	<u>1,298,233</u>	<u>256,313</u>	<u>1,554,546</u>	<u>90,836</u>
CASH - END OF YEAR				
(including \$821,873 in restricted accounts)	<u>\$ 1,456,427</u>	<u>\$ 214,316</u>	<u>\$ 1,670,743</u>	<u>\$ 63,082</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 142,428	\$ (21,755)	\$ 120,673	\$ (5,789)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	251,043	78,240	329,283	55,266
Changes in assets and liabilities:				
Receivables, net	3,126	695	3,821	-
Due from other funds	10,376	-	10,376	-
Accounts payable	4,355	-	4,355	-
Due to other funds	(2,604)	(15,496)	(18,100)	-
Net cash provided by operating activities	<u>\$ 408,724</u>	<u>\$ 41,684</u>	<u>\$ 450,408</u>	<u>\$ 49,477</u>

See notes to the financial statements

Village of Mattawan

STATEMENT OF FIDUCIARY NET ASSETS - *Agency Fund*

June 30, 2004

ASSETS

Cash	\$ 930
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LIABILITIES

Due to other governmental units	\$ 930
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See notes to the financial statements

Village of Mattawan
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Village of Mattawan, Michigan (the Village), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Village. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, there are no other entities for which the Village exercises oversight responsibility.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by property taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Village of Mattawan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):
Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Village.

The government reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the Village, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the Village's major streets.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do no conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The Village has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Village of Mattawan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Village considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Village has elected to use the prospective method of accounting for infrastructure assets whereby it will capitalize its infrastructure assets as acquired on or after July 1, 2003, as permitted by GASB No. 34.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment	3 - 20 years
Sewer and Water systems	50 years

Village of Mattawan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

v) Compensated absences (vacation and sick leave) - It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the City. Vested compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

vi) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the Village Council is the functional level. All annual appropriations lapse at the end of the fiscal year.

Compliance violations - P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For significant budget variations for major funds, see the budgetary comparison schedules in the required supplementary information on pages 22 through 24.

NOTE 3 - DEPOSITS:

Following is a reconciliation of the Village's deposits as of June 30, 2004:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary funds</u>	<u>Totals</u>
<i>Financial statements:</i>				
Cash	\$603,258	\$ 848,870	\$930	\$1,453,058
Restricted cash	<u>-</u>	<u>821,873</u>	<u>-</u>	<u>821,873</u>
	<u>\$603,258</u>	<u>\$1,670,743</u>	<u>\$930</u>	<u>\$2,274,931</u>
<i>Notes to financial statements:</i>				
Deposits	\$603,158	\$1,670,643	\$930	\$2,274,731
Cash on hand	<u>100</u>	<u>100</u>	<u>-</u>	<u>200</u>
	<u>\$603,258</u>	<u>\$1,670,743</u>	<u>\$930</u>	<u>\$2,274,931</u>

Village of Mattawan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - DEPOSITS (Continued):

Deposits are carried at cost and are maintained at various financial institutions in the name of the Village. State statutes and the Village's investment policy authorize the Village to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Village's deposits are in accordance with statutory authority. At June 30, 2004, the Village has deposits with a carrying amount of \$2,274,731 and a bank balance of \$2,294,449. Of the bank balance \$200,000 is covered by federal depository insurance, and \$2,094,449 is uninsured.

NOTE 4 - RECEIVABLES:

Receivables as of year-end for the Village's individual major and nonmajor funds, in the aggregate, are as follows:

	<u>General</u>	<u>Major Street</u>	<u>Nonmajor</u>	<u>Totals</u>
Intergovernmental	<u>\$66,263</u>	<u>\$27,947</u>	<u>\$9,160</u>	<u>\$103,370</u>

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2004, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated - land	\$ <u>28,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>28,000</u>
Capital assets being depreciated:				
Buildings	883,796	12,384	-	896,180
Land improvements	46,800	-	-	46,800
Equipment	103,562	1,551	-	105,113
Vehicles	290,845	-	-	290,845
Streets	<u>-</u>	<u>125,343</u>	<u>-</u>	<u>125,343</u>
Subtotal	<u>1,325,003</u>	<u>139,278</u>	<u>-</u>	<u>1,464,281</u>
Less accumulated depreciation for:				
Buildings	(42,924)	(21,987)	-	(64,911)
Land improvements	(1,638)	(2,808)	-	(4,446)
Equipment	(56,728)	(8,630)	-	(65,358)
Vehicles	(164,014)	(34,511)	-	(198,525)
Streets	<u>(-)</u>	<u>(3,134)</u>	<u>-</u>	<u>(3,134)</u>
Subtotal	<u>(265,304)</u>	<u>(71,070)</u>	<u>-</u>	<u>(336,374)</u>
Net capital assets being depreciated	<u>1,059,699</u>	<u>68,208</u>	<u>-</u>	<u>1,127,907</u>

Village of Mattawan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Total capital assets, net	\$ <u>1,087,699</u>	\$ <u>68,208</u>	\$ <u>-</u>	\$ <u>1,155,907</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated - land	\$ <u>34,749</u>	<u>-</u>	<u>-</u>	\$ <u>34,749</u>
Capital assets being depreciated:				
Sewer system	9,437,133	-	-	9,437,133
Water system	<u>2,678,954</u>	<u>54,937</u>	<u>-</u>	<u>2,733,891</u>
Subtotal	<u>12,116,087</u>	<u>54,937</u>	<u>-</u>	<u>12,171,024</u>
Less accumulated depreciation for:				
Sewer system	987,809	251,043	-	1,238,852
Water system	<u>754,313</u>	<u>78,240</u>	<u>-</u>	<u>832,553</u>
Subtotal	<u>1,742,122</u>	<u>329,283</u>	<u>-</u>	<u>2,071,405</u>
Net capital assets being depreciated	<u>10,373,965</u>	<u>(274,346)</u>	<u>-</u>	<u>10,099,619</u>
Total capital assets, net	\$ <u>10,408,714</u>	\$ <u>(274,346)</u>	\$ <u>-</u>	\$ <u>10,134,368</u>

Depreciation expense was charged to functions of the Village as follows:

<i>Governmental activities:</i>	
General government	\$ 5,687
Public safety	4,165
Public works	5,942
Depreciation on capital assets of internal service funds	<u>55,266</u>
	\$ <u>71,070</u>
<i>Business-type activities:</i>	
Sewer	\$251,043
Water	<u>78,240</u>
	\$ <u>329,283</u>

Village of Mattawan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - NONCURRENT LIABILITIES:

Noncurrent liabilities at June 30, 2004, is comprised of the following:

Governmental activities:

\$750,000 2002 Building Authority bonds - payable in annual installments ranging from \$6,000 to \$35,000, plus interest at 4.75%; final payment due September 2041 \$ 743,000

Business-type activities:

\$755,000 1977 Water Supply System revenue bonds - payable in annual installments ranging from \$25,000 to \$30,000, plus interest at 5%; final payment due January 2016 \$ 355,000

\$330,000 1996 Water Supply System Junior Lien revenue bonds - payable in annual installments ranging from \$3,000 to \$14,000, plus interest at 5% payable; final payment due July 2036 315,000

\$7,000,000 1998 Sanitary Sewer System revenue bonds - payable in annual installments ranging from \$73,000 to \$403,000, plus interest at 4.75%; final payment due July 2037 6,728,000

\$7,398,000

a) Long-term liability activity for the year ended June 30, 2004, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
<i>Governmental activities:</i>					
2002 General obligation bonds	\$ <u>749,000</u>	\$ <u>-</u>	\$ <u>(6,000)</u>	\$ <u>743,000</u>	\$ <u>7,000</u>
<i>Business-type activities:</i>					
1977 revenue bonds	\$ 380,000	\$ -	\$ (25,000)	\$ 355,000	\$ 25,000
1996 revenue bonds	318,000	-	(3,000)	315,000	3,000
1998 revenue bonds	<u>6,801,000</u>	<u>-</u>	<u>(73,000)</u>	<u>6,728,000</u>	<u>77,000</u>
Business-type activities noncurrent liabilities	\$ <u>7,499,000</u>	\$ <u>-</u>	\$ <u>(101,000)</u>	\$ <u>7,398,000</u>	\$ <u>105,000</u>

Village of Mattawan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - NONCURRENT LIABILITIES (Continued):

b) Debt service requirements at June 30, 2004, were as follows:

	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ended June 30:				
2005	\$ 7,000	\$ 35,126	\$ 105,000	\$ 350,669
2006	7,000	34,794	115,000	345,349
2007	7,000	34,461	119,000	339,706
2008	7,000	34,129	124,000	333,850
2009	7,000	33,796	130,000	327,821
2010 - 2014	45,000	162,996	734,000	1,538,012
2015 - 2019	58,000	151,003	812,000	1,348,996
2020 - 2024	78,000	134,853	958,000	1,143,490
2025 - 2029	108,000	113,050	1,221,000	885,068
2030 - 2034	142,000	83,268	1,558,000	556,200
2035 - 2039	172,000	45,601	1,522,000	145,546
2040 - 2044	<u>105,000</u>	<u>7,481</u>	<u>-</u>	<u>-</u>
Totals	<u>\$743,000</u>	<u>\$870,558</u>	<u>\$7,398,000</u>	<u>\$7,314,707</u>

NOTE 7 - RESTRICTED CASH - RELATED TO DEBT:

As a condition of individual debt issues, the Village is required to maintain certain separate cash reserves. At June 30, 2004, all required reserves have been properly funded and are as follows:

1977 Water Supply System revenue bonds:

Principal and interest redemption account	\$ 10,700
Bond reserve account	46,750
Funded depreciation account	65,308

1996 Water Supply System Junior Lien revenue bonds:

Principal and interest redemption account	18,825
Bond reserve account	21,500

1998 Sewer Supply System revenue bonds:

Principal and interest redemption account	236,790
Bond reserve account	<u>422,000</u>

Total restricted cash \$821,873

Village of Mattawan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At June 30, 2004, the composition of interfund balances, as reported in the fund financial statements, is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Fund</u>	<u>Payables</u>
Sewer	<u>\$35,536</u>	DPW Building and Equipment	<u>\$35,536</u>
DPW Building and Equipment	<u>\$ 2,334</u>	Sewer	\$ 393
		Water	<u>1,941</u>
			<u>\$ 2,334</u>

In 2002, the Sewer Fund, an enterprise fund, advanced \$86,810 to the DPW Building and Equipment Fund, an internal service fund, to finance the acquisition of a dump truck. The advance will be repaid in annual installments of \$18,303 that include interest at 2%, through 2006.

A summary of interfund transfers for the year ended June 30, 2004, is as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
Local Street	<u>\$1,108</u>	General	<u>\$1,108</u>

In 2004, a transfer was used to move available unrestricted funds from the General Fund to the Local Street Fund for operating purposes.

NOTE 9 - RISK MANAGEMENT:

The Village is exposed to various risks of loss to general liability, property and casualty, workers' compensation, and employee health and medical claims. The risks of loss arising from general liability up to \$2,000,000, building contents, workers' compensation, employee medical, and casualty are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

NOTE 10 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended June 30, 2004, is as follows:

Permit revenues	\$1,801
Inspection expenses	(758)
Excess of revenues over expenses	<u>\$1,043</u>

Village of Mattawan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - DEFINED CONTRIBUTION PENSION PLAN:

On October 1, 1996, the Village adopted a defined contribution pension plan, specifically referred to as the Village of Mattawan Employee Retirement Plan (the Plan). In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Full-time employees are eligible to participate after satisfactorily completing the required probationary period of 90 days of employment. The Village contributes 3% of each qualified employee's earnings to the Plan. Qualified employees are required to contribute 3% of their earnings as a condition of participation in the Plan.

The Village's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service. Village contributions for, and interest forfeited by employees who leave employment before five years of service, are used to reduce the Village's current period contribution requirements. The Village is not a trustee of the Plan, nor is the Village responsible for investment management of plan assets. Michigan State statute assigns the authority to establish and amend benefit provisions to the Village Council.

The Village and the Plan participants each made their required contributions in the amount of \$6,448 for the year ended June 30, 2004.

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLES:

Effective July 1, 2003, the Village implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change in the governmental funds:

Net assets, as previously reported (General and special revenue funds)	\$621,273
Capitalization of capital assets, net of accumulated depreciation, not previously reported	208,417
Net assets of the internal service funds are included in governmental activities in the statement of net assets	<u>166,577</u>
Net assets, as restated	<u>\$996,267</u>

REQUIRED SUPPLEMENTARY INFORMATION

Village of Mattawan
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 210,075	\$ 217,300	\$ 221,476	\$ 4,176
Federal grant	26,000	36,000	32,388	(3,612)
State grants	234,500	203,883	200,860	(3,023)
Fines and forfeitures	13,500	15,000	8,702	(6,298)
Licenses and permits	19,100	6,432	9,350	2,918
Interest	8,500	8,000	8,603	603
Other	5,500	52,068	54,677	2,609
<i>Total revenues</i>	<u>517,175</u>	<u>538,683</u>	<u>536,056</u>	<u>(2,627)</u>
EXPENDITURES				
Legislative - Village Council	<u>4,950</u>	<u>4,950</u>	<u>5,883</u>	<u>(933)</u>
General government:				
Administration	94,950	125,040	128,660	(3,620)
Elections	2,800	2,800	1,231	1,569
Clerk	32,400	33,900	32,518	1,382
Treasurer	2,525	2,150	154	1,996
Village hall	28,850	29,350	30,687	(1,337)
<i>Total general government</i>	<u>161,525</u>	<u>193,240</u>	<u>193,250</u>	<u>(10)</u>
Public safety:				
Police	344,485	338,200	322,781	15,419
Inspections	<u>13,000</u>	<u>1,000</u>	<u>758</u>	<u>242</u>
<i>Total public safety</i>	<u>357,485</u>	<u>339,200</u>	<u>323,539</u>	<u>15,661</u>
Public works:				
Public works department	39,500	32,661	25,812	6,849
Street lighting	16,000	16,000	14,792	1,208
Other	<u>550</u>	<u>550</u>	<u>507</u>	<u>43</u>
<i>Total public works</i>	<u>56,050</u>	<u>49,211</u>	<u>41,111</u>	<u>8,100</u>

Village of Mattawan

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Culture and recreation	\$ 9,000	\$ 12,491	\$ 10,513	\$ 1,978
Community and economic development:				
Planning Commission	6,640	6,640	6,880	(240)
Economic development	-	-	2,020	(2,020)
<i>Total community and economic development</i>	<u>6,640</u>	<u>6,640</u>	<u>8,900</u>	<u>(2,260)</u>
Capital outlay	<u>49,500</u>	<u>10,600</u>	<u>3,830</u>	<u>6,770</u>
<i>Total expenditures</i>	<u>645,150</u>	<u>616,332</u>	<u>587,026</u>	<u>29,306</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(127,975)	(77,649)	(50,970)	26,679
OTHER FINANCING USES				
Transfer out	<u>-</u>	<u>-</u>	<u>(1,108)</u>	<u>(1,108)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES OTHER USES	(127,975)	(77,649)	(52,078)	25,571
FUND BALANCE - BEGINNING OF YEAR	<u>299,279</u>	<u>299,279</u>	<u>299,279</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 171,304</u>	<u>\$ 221,630</u>	<u>\$ 247,201</u>	<u>\$ 25,571</u>

Village of Mattawan**BUDGETARY COMPARISON SCHEDULE - Major Street Fund**

Year ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Federal grant	\$ -	\$ -	\$ 96,650	\$ 96,650
State grants	150,000	150,000	164,668	14,668
Interest	<u>2,000</u>	<u>2,000</u>	<u>1,767</u>	<u>(233)</u>
<i>Total revenues</i>	<u>152,000</u>	<u>152,000</u>	<u>263,085</u>	<u>111,085</u>
EXPENDITURES				
Public works:				
Construction	108,900	108,900	134,744	(25,844)
Routine maintenance	47,850	47,850	44,263	3,587
Winter maintenance	20,750	20,750	31,832	(11,082)
Traffic service	1,000	1,000	3,063	(2,063)
Administration	<u>16,100</u>	<u>16,100</u>	<u>11,966</u>	<u>4,134</u>
<i>Total expenditures</i>	<u>194,600</u>	<u>194,600</u>	<u>225,868</u>	<u>(31,268)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(42,600)	(42,600)	37,217	79,817
FUND BALANCE - BEGINNING OF YEAR	<u>130,427</u>	<u>130,427</u>	<u>130,427</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 87,827</u>	<u>\$ 87,827</u>	<u>\$ 167,644</u>	<u>\$ (79,817)</u>

SUPPLEMENTARY INFORMATION

Village of Mattawan
COMBINING BALANCE SHEET - Nonmajor Governmental Funds
June 30, 2004

	Special Revenue				Total nonmajor governmental funds
	<u>Local Street</u>	<u>Forfeiture</u>	<u>Justice Training</u>	<u>Metro Act</u>	
ASSETS					
Cash	\$ 179,566	\$ 3,352	\$ 2,506	\$ 11,533	\$ 196,957
Due from other governmental units	<u>9,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,160</u>
<i>Total assets</i>	<u>\$ 188,726</u>	<u>\$ 3,352</u>	<u>\$ 2,506</u>	<u>\$ 11,533</u>	<u>\$ 206,117</u>
LIABILITIES AND FUND EQUITY					
Fund balance:					
Unreserved	<u>\$ 188,726</u>	<u>\$ 3,352</u>	<u>\$ 2,506</u>	<u>\$ 11,533</u>	<u>\$ 206,117</u>

Village of Mattawan

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - Nonmajor Governmental Funds**

Year ended June 30, 2004

	Special Revenue				Total nonmajor governmental funds
	Local Street	Drug Forfeitures	Justice Training	Metro Act	
REVENUES					
State grants	\$ 53,900	\$ -	\$ 1,327	\$ 11,529	\$ 66,756
Interest	582	19	-	4	605
Other	-	226	-	-	226
<i>Total revenues</i>	<u>54,482</u>	<u>245</u>	<u>1,327</u>	<u>11,533</u>	<u>67,587</u>
EXPENDITURES					
Public safety	-	11	1,373	-	1,384
Public works	52,761	-	-	-	52,761
<i>Total expenditures</i>	<u>52,761</u>	<u>11</u>	<u>1,373</u>	<u>-</u>	<u>54,145</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,721	234	(46)	11,533	13,442
OTHER FINANCING SOURCES					
Transfer in	1,108	-	-	-	1,108
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	2,829	234	(46)	11,533	14,550
FUND BALANCE - BEGINNING OF YEAR	<u>185,897</u>	<u>3,118</u>	<u>2,552</u>	<u>-</u>	<u>191,567</u>
FUND BALANCE - END OF YEAR	<u>\$ 188,726</u>	<u>\$ 3,352</u>	<u>\$ 2,506</u>	<u>\$ 11,533</u>	<u>\$ 206,117</u>

Village of Mattawan**COMBINING STATEMENT OF NET ASSETS - Internal service funds**

June 30, 2004

	<u>DPW Building and Equipment</u>	<u>Police Motor Pool</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 37,166	\$ 25,916	\$ 63,082
Due from other funds	<u>2,334</u>	<u>-</u>	<u>2,334</u>
<i>Total current assets</i>	<u>39,500</u>	<u>25,916</u>	<u>65,416</u>
Noncurrent assets:			
Capital assets (net of depreciation)	<u>823,701</u>	<u>14,250</u>	<u>837,951</u>
<i>Total assets</i>	<u>863,201</u>	<u>40,166</u>	<u>903,367</u>
LIABILITIES			
Current liabilities:			
Accrued interest payable	11,800	-	11,800
Due to other funds	35,536	-	35,536
Bonds payable	<u>7,000</u>	<u>-</u>	<u>7,000</u>
<i>Total current liabilities</i>	<u>54,336</u>	<u>-</u>	<u>54,336</u>
Noncurrent liabilities:			
Bonds payable	<u>736,000</u>	<u>-</u>	<u>736,000</u>
<i>Total liabilities</i>	<u>790,336</u>	<u>-</u>	<u>790,336</u>
NET ASSETS			
Invested in capital assets, net of related debt	80,701	14,250	94,951
Unrestricted (deficit)	<u>(7,836)</u>	<u>25,916</u>	<u>18,080</u>
<i>Total net assets</i>	<u>\$ 72,865</u>	<u>\$ 40,166</u>	<u>\$ 113,031</u>

Village of Mattawan**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - Internal service funds***Year ended June 30, 2004*

	<u><i>DPW Building and Equipment</i></u>	<u><i>Police Motor Pool</i></u>	<u><i>Totals</i></u>
OPERATING REVENUES			
Charges for services:			
Building and equipment rentals	\$ 110,005	\$ 12,500	\$ 122,505
OPERATING EXPENSES			
Repairs and maintenance:			
Equipment	45,160	15,826	60,986
DPW Building	12,042	-	12,042
Depreciation	46,964	8,302	55,266
<i>Total operating expenses</i>	<u>104,166</u>	<u>24,128</u>	<u>128,294</u>
OPERATING INCOME (LOSS)	<u>5,839</u>	<u>(11,628)</u>	<u>(5,789)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	216	144	360
Interest expense	(48,117)	-	(48,117)
<i>Total nonoperating revenues (expenses)</i>	<u>(47,901)</u>	<u>144</u>	<u>(47,757)</u>
CHANGE IN NET ASSETS	(42,062)	(11,484)	(53,546)
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>114,927</u>	<u>51,650</u>	<u>166,577</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 72,865</u>	<u>\$ 40,166</u>	<u>\$ 113,031</u>

COMBINING STATEMENT OF CASH FLOWS - Internal service funds

Year ended June 30, 2004

	<i>DPW Building and Equipment</i>	<i>Police Motor Pool</i>	<i>Totals</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interfund services provided	\$ 110,005	\$ 12,500	\$ 122,505
Payments to suppliers	(52,833)	(15,618)	(68,451)
Payments to employees	(4,369)	(208)	(4,577)
<i>Net cash provided by (used in) operating activities</i>	<u>52,803</u>	<u>(3,326)</u>	<u>49,477</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Decrease in due from other funds	13,044	-	13,044
Decrease in due to other funds	(21,231)	-	(21,231)
<i>Net cash used in noncapital financing activities</i>	<u>(8,187)</u>	<u>-</u>	<u>(8,187)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from issuance of bonds	59,384	-	59,384
Acquisition of capital assets	(13,935)	-	(13,935)
Decrease in due to other funds	(34,156)	-	(34,156)
Decrease in accounts payable	(38,380)	-	(38,380)
Principal payments on capital debt	(6,000)	-	(6,000)
Interest payments on capital debt	(36,317)	-	(36,317)
<i>Net cash used in capital and related financing activities</i>	<u>(69,404)</u>	<u>-</u>	<u>(69,404)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>216</u>	<u>144</u>	<u>360</u>
NET DECREASE IN CASH	(24,572)	(3,182)	(27,754)
CASH - BEGINNING OF YEAR	<u>61,738</u>	<u>29,098</u>	<u>90,836</u>
CASH - END OF YEAR	<u>\$ 37,166</u>	<u>\$ 25,916</u>	<u>\$ 63,082</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 5,839	\$ (11,628)	\$ (5,789)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	<u>46,964</u>	<u>8,302</u>	<u>55,266</u>
<i>Net cash provided by (used in) operating activities</i>	<u>\$ 52,803</u>	<u>\$ (3,326)</u>	<u>\$ 49,477</u>

FEDERAL AWARDS

Village of Mattawan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2004

<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA number</u>	<u>Federal expenditures</u>
U.S. Department of Agriculture: Community Facilities Loans	10.766	\$743,000
U.S. Department of Justice: School Resource Officer	16.710	<u>32,388</u>
		<u>\$775,388</u>

- NOTES: 1) The schedule of expenditures of federal awards is prepared on the accrual basis of accounting.
- 2) Federal expenditures include a loan payable to the U.S. Department of Agriculture in the amount of \$743,000.

Village of Mattawan
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2004

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Village of Mattawan.
2. No reportable conditions were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Village of Mattawan were disclosed during the audit.
4. No reportable conditions were identified during the audit of the major federal award program.
5. The auditors' report on compliance for the major federal award program for Village of Mattawan expresses an unqualified opinion.
6. Audit findings relative to the major federal award program for Village of Mattawan are reported in Part C of this schedule.
7. The program tested as a major program follows:

<u>Federal agency</u>	<u>Program name</u>	<u>CFDA #</u>
U.S. Department of Agriculture	Community Facilities Loans	10.766

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Village of Mattawan was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

NONE

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

NONE

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL
PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Village Council
Village of Mattawan, Michigan

We have audited the financial statements of Village of Mattawan, Michigan (the Village), as of and for the year ended June 30, 2004, and have issued our report thereon dated September 17, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal control over financial reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Siegfried Crandall P.C.

December 6, 2004

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

Village Council
Village of Mattawan

Compliance

We have audited the compliance of Village of Mattawan, Michigan (the Village), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The Village's major federal program is its Community Facilities Loan Program. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal control over compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS *(Continued)***

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be a material weakness.

This report is intended for the information of management, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Siegfried Crandall P.C.

December 6, 2004